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FIVE MEN TO PLEAD GUILTY IN CAPE CORAL MORTGAGE FRAUD SCHEME

Fort Myers, Florida - United States Attorney A. Brian Albritton announces that Troy Bossert (age 32, of San Antonio, Texas), Tyler Forrey (age 28, of Cape Coral), Ryan O'Brien (age 34, of Cape Coral), Stephen Petrovich (age 35, of Cape Coral), and Steven Reese (age 32, of Cape Coral) have each agreed to plead to an Information charging them with one count of conspiring to commit bank fraud and wire fraud and one count of money laundering, all in connection with a mortgage fraud scheme that operated in Cape Coral, Florida. A plea hearing will be scheduled. If convicted, each defendant will face a maximum penalty of twenty years in federal prison.

According to the plea agreements, the defendants operated a "cash-out" mortgage fraud conspiracy in Cape Coral between 2007 and 2008, during which they reported inflated sales prices to lenders and falsified applications for loans based on the higher prices, then pocketed the excess loan proceeds at closing. Taking advantage of the downturn in the housing market, when sellers were desperate to contract on their properties, members of the conspiracy targeted "for sale by owner" homes and offered to pay the sellers their asking price, often telling the sellers that the final paperwork would show a higher amount so that the buyers could use the excess cash to fund "future improvements." The conspirators then used third-party buyers to obtain loans based on inflated sales prices, falsifying loan qualification information and creating fictitious cashier's

checks, bank statements, W-2s, and other documents to support the loan applications. The conspirators successfully obtained loans from several different lenders for amounts far exceeding the sales prices of the homes.

At closings on the properties, the conspirators caused the excess loan monies—typically more than \$100,000—to be wired to entities under their control, showing the funds as payoffs for “existing liabilities” on the HUD statements. At one point in the conspiracy, members of the conspiracy simply began creating two HUD statements, one to use at closing that showed the real price of the home and one to submit to the lender afterward that showed the false price on which the loan was based. The conspirators then divided the excess loan funds among themselves.

On the majority of the properties, the buyers made approximately three payments on the mortgages and walked away, leaving the homes to foreclosure. No “improvements” were made.

In this fashion, the conspirators were able to obtain more than \$4.2 million in loans on eight properties in the Cape Coral area. In one case, the sellers sold for \$355,000, and the conspirators submitted a second HUD statement showing a sales price of \$725,000. From that one sale, the conspirators received more than \$178,000 in cash, which conspirators Petrovich and O’Brien split, purchasing a cashier’s check payable to O’Brien for \$39,200 and then slowly withdrawing the rest of the money from a holdings account in amounts less than \$10,000.

This case was investigated by the United States Secret Service, Internal Revenue Service-Criminal Investigation, and the Federal Bureau of Investigation, and it is part of the Middle District of Florida’s Mortgage Fraud Initiative, which is a joint effort by these agencies, the U.S. Attorney’s Office, and other federal, state, and local law enforcement agencies throughout the Middle District of Florida. It is a “Phase II” case,

brought following the initial wave of Mortgage Fraud Initiative prosecutions, the Mortgage Fraud Surge, which occurred over ten months in 2009 and netted more than 100 defendants. Phase II of the Mortgage Fraud Initiative seeks to build upon the Surge, its leads and techniques, to uncover and prosecute increasingly complex mortgage frauds.

This case is being prosecuted by Assistant United States Attorneys Nicole H. Waid and David Haas.

_____An Information is merely a formal charge that a defendant has committed a violation of the federal criminal laws, and every defendant is presumed innocent unless, and until, proven guilty. A plea agreement is an agreement between the parties to a case and does not itself constitute a conviction.